

STATEMENT OF THE AMERICAN HONEY INDUSTRY
for the
HEARING OF THE HOUSE AGRICULTURE COMMITTEE
MAY 2, 2001

My name is John Milam. I am a honey producer from Moore, Texas and Chairman of the Board of Sioux Honey Association. Sioux Honey is a honey marketing cooperative, with members in 22 States, which markets approximately 60,000,000 pounds of honey throughout the entire United States. I am joined at the table by Richard Adey, a honey producer from Bruce, South Dakota, who is President of the American Honey Producers' Association and Clint Walker, a honey producer from Rogers, Texas, who is President of the American Beekeepers Federation.

We are presenting a joint statement in behalf of the entire American beekeeping and honey industry for legislative relief for an economically depressed industry. The proposal recommended in this statement is supported by the American Honey Producers' Association, American Beekeeping Federation, Sioux Honey Association, Mid-U.S. Honey Producers, U.S. Beekeepers, and the National Honey Packers and Dealers Association. These organizations represent virtually all the nation's commercial beekeepers and honey packers.

Recommendation for Legislation

The organizations listed above support a honey program for the 2001 and succeeding crops that would continue in effect a program substantially the same as in effect for the 2000 crop, a program that includes the following features:

1. The use of Commodity Credit Corporation funds to make non-recourse marketing assistance loans to honey producers at a national average rate of 65 cents per pound;
2. Repayment of marketing assistance loans at the loan rate plus interest, or the prevailing domestic market price, as determined by the Secretary, whichever rate is the lower;
3. Eligibility of a producer of honey to obtain a loan deficiency payment if the producer agrees to forgo obtaining a marketing assistance loan; the loan deficiency payment to be at a rate by which 65 cents per pound exceeds the marketing assistance loan repayment rate multiplied by the quantity of honey the producer is eligible to place under loan;
4. Marketing assistance loan gains and loan deficiency payments a person may receive for a crop of honey would be subject to the same limitations that apply to loans and loan deficiency payments received by producers of the same crop of other agricultural commodities;
5. The program to be implemented in such a manner so as to minimize forfeitures of honey marketing assistance loans, and a commodity certificate program, similar to the program in effect for other commodities, made available to honey producers so as to encourage the orderly marketing of honey pledged as security for loans;

6. A producer that has marketed or redeemed a quantity of a crop for which the producer has not received a loan deficiency payment or marketing loan gain could receive such payment or gain as of the date on which the quantity was marketed or redeemed.

Economic Crisis in the Beekeeping Industry

The beekeeping industry is in dire straits today as a result of an economic crisis that is forcing many of our nation's beekeepers out of business unless help is forthcoming in the very near future. This means the loss of family owned small businesses that have survived through two or three generations. The beekeeping industry is one of the few industries that predominantly consists of family owned enterprises. It also is a tragedy for the nation's agriculture economy since so much of American agriculture is dependent on commercial beekeepers for pollination services.

We would like to detail the reasons for the problem. Prices began to fall in 1996 from 88.6 cents per pound to 68.5 cents per pound in 1998 and continued to fall throughout 1999 to 50 cents per pound and lower levels. The situation became particularly acute last year as producers began to extract honey for the 2000 crop. Prices on a per pound basis for some producers have been quoted in the low forties, and even at such prices many have been unable to find a market for their crop.

Fortunately, Congress included in the agriculture appropriation act for FY 2001 (enacted October 28, 2000), legislation providing for a non-recourse marketing assistance loan program for the 2000 crop of honey. The program has only recently become effective upon issuance of implementing regulations by the Department of Agriculture on March 15, 2001. The legislation provides for a loan rate of 65 cents per pound – the repayment price announced by the Department of Agriculture for March and April has been 51 cents per pound, the average market price for all grades of honey based upon information obtained by the Department of Agriculture from the trade. This legislation needs to be extended to cover the crop being produced in the current year as well as crops produced in succeeding years for which farm legislation is now being considered.

Not only are prices received by producers for honey less than 75 percent of what they were in 1998, but costs have increased since then. Commercial beekeeping is a mobile operation. Beekeepers must move their colonies from place to place as they seek the best source of honey, as they provide pollination services, and as they locate their bees in winter nursery grounds. This is a fuel consuming operation that translates into extra expense, particularly today with the spike in gasoline and other fuel prices. Additionally, beekeepers are faced with special costs factors resulting from their need to deal with exotic pests that have been devastating their colonies. The USDA and University scientists have helped to provide tools to deal with these pests, the varroa and tracheal mites, and more recently the small hive beetle. Treatments are

expensive – costly to buy and labor intensive to apply, and are proving ineffective as resistant mite populations have developed.

According to an analysis of the industry made by the International Trade Commission (*see* Publication 3369, dated November 2000) net income of beekeepers before taxes in 1997 was 13 cents per pound. In 1998 it declined to 8 cents per pound; and in 1999 it was two cents per pound. These figures were arrived at by including producers whose income is derived solely from honey production as well as producers whose income is derived both from honey sales and pollination services. If one takes accounts of net income, excluding pollination fees, the net income ratio for 1999 showed a loss of 0.5. In 2000, the price of honey has been even lower than in 1999, and until implementation of the 2000 crop marketing loan program began on March 15 of this year, honey producers have been incurring substantial losses.

The findings of the USITC are supported by a honey cost of production survey just completed by the Agricultural Economics Department of Texas A&M University. It found that in 2000 it cost beekeepers 69 cents to produce each pound of honey. Even worse, this cost represents only the five largest expense items: labor, transportation, feed, replacement queens and bees, and pest and disease treatments. Lesser expenses and depreciation were not included.

The depressed prices are attributable to a surge in imports. Beekeepers in most countries enjoy an economic advantage when they compete in the U.S. market with our honey producers. They pay wages substantially less than wages paid workers in the United States and are not required to comply with worker safety rules, health code requirements, environmental regulations, product liability standards and transportation regulations that apply to beekeepers in the United States.

The nation's beekeepers produce about 200 million pounds of honey annually, and domestic consumption currently amounts to between 325 and 350 million pounds. According to the National Honey Board, in 2000 imports amounted to about 194.2 million pounds, an increase from 174.3 million pounds in 1999, and 135.4 million pounds in 1998. The record imports originate principally from Argentina and China. These imports, coupled with a large carry-over from 1998 and 1999, have flooded the market and seriously depressed prices for U.S.- produced honey. These have given rise to countervailing duty proceedings based on evidence of subsidized imports from Argentina and anti-dumping proceedings based on sales of imports from both Argentina and China at less than fair value. These proceedings are currently pending before the Department of Commerce and the International Trade Commission.

Impact on American Agriculture If Help Is Not Provided

Low prices and increasing costs have taken a toll on this nation's beekeepers. The National Honey Board reports that 2,759 domestic beekeepers paid assessments in 2000. This is down from 2,953 in 1999, and reduced even further from the 3,285 beekeepers who paid assessments in 1998. (Assessments are due from those who produce at least 6,000 pounds of

honey per year). There has been a similar reduction in the number of their workers employed in small towns and rural communities, as well as in the number of the smaller beekeepers. Those beekeepers still in business are barely holding on, living off their equity and praying for better times.

If help is not forthcoming in the near future, not only would it affect the survival of many family owned enterprises, but it would be magnified to impact much of U.S. agriculture and rural America. According to a Cornell University study published in 2000, honey bee pollination adds nearly \$14.6 billion each year to the value of U.S. crop production.

Some crops, such as almonds, for which California produces more than half of the world's supply, are entirely dependent for their production on honey bee pollination. The production of others is greatly enhanced through increased yield and improved quality attributable to honey bee pollination. These include such diverse crops, as apples, oranges, berries, vegetables and melons, and field crops, such as alfalfa, soybeans, and cotton, among others. In addition to the foregoing, honey bees provide invaluable services towards conservation by accelerating the development of plant cover for erosion control and other conservation programs, improving plantings for reforestation, and increasing forage for wildlife. The recent infestation of honey bee colonies by the tracheal and varroa mites has practically eliminated pollination by wild bees so that American agriculture is now dependent on the services of commercial beekeepers.

Program Costs

The cost of a honey marketing loan program for the 2001 crop should not exceed \$28 million, and would probably be less. This figure was obtained by multiplying 200 million pounds (the average annual crop) by the March loan deficiency payment of 14 cents per pound (a figure which has been stable during the past few months). There are several reasons why the cost of the 2001 crop program should be less. First, it is likely that not all producers would participate in the program; perhaps, about 90 percent would apply for program benefits, the balance being small back yard producers who would not know about the program or wish to bother to apply for program benefits because of the small amount of their individual production.

We also anticipate that the cost should be further diminished beginning late this year when the final results of the pending countervailing duty and anti-dumping actions should be announced. The Commerce Department recently made a preliminary determination for the application of a 6.55 percent ad valorem countervailing duty, and a preliminary determination in the anti-dumping case should be made early in May. We understand that a final decision in these two cases should be made late in the year. Assuming that the industry is ultimately successful in these cases, the market price of honey should rise resulting in a substantial reduction in the cost of a marketing loan program in future years.

WTO Consistency

It is our understanding that the honey program would be considered as an "amber box" program under the WTO rules, and thus, the program costs as described above would be counted towards the overall limit that currently applies to amber box programs of the United States. It should be pointed out that the program espoused in this statement is a continuation of the program currently in effect which is being accommodated today within the amber box limits.

Conclusion

We believe that the industry's recommendations are conservative and necessary to sustain the beekeeping industry, as well as being in the interest of American agriculture. The program that we recommend is essentially an extension of current law and would not cost more than that program. In fact, program costs would be less if the countervailing duty and anti-dumping actions are successful. The program is also comparable to the marketing loan program for the major crops and would enable U.S. honey producers to compete with imported honey on a level playing field.

Thank you for the opportunity to testify today. We would be pleased to respond to any questions regarding our testimony.